COPY FOR MR. J. ALLAN ROSS

[Secretary's report]

HYDRO-ELECTRIC INQUIRY COMMISSION

GENERAL REPORT

HYDRO ELECTRIC RADIAL RAILWAYS

TORONTO-PORT CREDIT RAILWAY
PORT CREDIT-ST. CATHARINES RAILWAY

JOSEPH H. W. BOWER
SECRETARY

ANNEX TO SECRETARY'S REPORT
HYDRO-ELECTRIC

on

HYDRO-ELECTRIC RADIAL RAILWAYS

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HYDRO-ELECTRIC RADIAL RAILWAYS

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on

HYDRO-ELECTRIC RADIAL RAILWAYS

Toronto, Ontario,
June 29th, 1923.

INDEX (Con't)

Hydro-Electric Inquiry Commission,
W. D. Gregory, Esq., Chairman,
Toronto, Ontario.

re: General Report - Hydro-Electric
Radial Railways

Mr. Chairman and Gentlemen:-

An examination of the proofs of the above general report on Hydro-Electric Radial Railways has been made along the lines approved of by the Commission on January 2nd. The work has been done under my direct personal supervision and under instructions.

Clarkson, Gordon & Co., Chartered Accountants, and Price, Waterhouse & Company have been engaged in auditing the accounts and in furnishing information and at the same time have been consulted from time to time with respect to the subject matter of the report.

The report is now in proof form and in order to close up the matter it is necessary that it should be submitted to the Commission for approval. If it does not meet with your approval, difficulty will be found in following the plan on which the report has been prepared.

All statements have been carefully checked by Mr. Guilfoyle of Messrs. Clarkson, Gordon & Dilworth and by a representative of Messrs. Price, Waterhouse & Company.

Yours very truly,

Secretary.

JEWS/MM

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Toronto, Ontario,
June 29th , 1925.

Hydro-Electric Inquiry Commission,
W. D. Gregory, Esq., Chairman,
Toronto, Ontario.

re: General Report - Hydro-Electric
Radial Railways

Mr. Chairman and Gentlemen:-

In accordance with your instructions a general report on Hydro-Electric Radial Railways has been made along the lines approved of by the Commission on January 2nd. The work has been done under my direct personal supervision as per your instructions.

The reports of Messrs. Price, Waterhouse & Company and Messrs. Clarkson, Gordon & Dilworth have been used in the preparation of this report and in addition complete studies have been made of all evidence taken at the public hearing held in connection with the subject.

It has been found necessary in dealing with this subject to treat the two railways separately, in order to avoid confusion and overlapping. If close attention is paid to the index it is thought that no difficulty will be found in following the plan on which the report has been prepared.

All statements have been carefully checked by Mr. Guilfoyle of Messrs. Clarkson, Gordon & Dilworth and by a representative of Messrs. Price, Waterhouse & Company.

Yours very truly,

J. W. Dawson

Secretary

JHWD/EM

Toronto, Ontario,
June 24th, 1926.

Pure-Electric Lighter Construction,
C. A. Dreery, Esq., Manager,
Toronto, Ontario.

Re: General report - Pure-Electric
Solar Splitter.

Mr. Chairman and Gentlemen:-

In accordance with your instructions a general report on Pure-Electric Solar Splitter has been made along the lines approved of by the Committee on January 2nd. The work has been done under my direct personal supervision as per your instructions.

The "COPY" Pure, "Waterhouse & Dowler and Dreery, Barrett, Kerton & Dilworth have been used in the preparation of this report and in addition complete details have been made of all evidence taken on the Pure Splitting Unit in connection with the subject.

It has been found necessary to employ six men during the two weeks the two railways operating, in order to get the complete measurements. It also became is quite necessary and expedient. It also attention is paid to the index it is thought that no difficulty will be found in following the plan on which the report has been prepared.

All measurements have been carefully checked by Mr. Dwinnett of Dreery, Barrett & Dilworth and by a representative of Dreery, Pure, Waterhouse & Dowler.

Yours very truly,

[illegible]

[illegible]

HYDRO ELECTRIC RADIAL RAILWAYS

TORONTO-PORT CREDIT RAILWAY

HISTORICAL SKETCH

In 1914 and 1915 the Councils of the City of Toronto, the townships of Toronto, Etobicoke, and New Toronto, the town of Mimico, and the village of Port Credit, passed resolutions requesting the Commission to report upon the cost of constructing and operating an electric railway from Toronto to London (which included the section now known as the Toronto-Port Credit Railway). The Commission made an investigation and submitted its report and a draft agreement to the representatives of the municipalities in November 1915. At the request of the representatives the draft agreement was approved by Order-in-Council dated August 31st, 1916, and by-laws setting forth the estimated cost of constructing and equipping the Toronto-Port Credit Section of the railway at $5,109,573.00, were prepared and submitted to the electors at the general municipal elections in 1916. The by-laws were all carried and agreements were subsequently entered into between the municipalities and the Commission. The by-laws and the agreements were confirmed by legislature April 27th, 1916.

P.W. p.6.

P.W. p.7.

6GeoV Cap.37 Sects. 5 & 6

The original plan of constructing a railway from Toronto to London was not proceeded with. However, in the fall of 1919, the municipalities interested in the Toronto-Port Credit Section passed a resolution, requesting the Province to authorize the Commission to proceed with the construction of the railway as a separate section. In accordance with the request an amendment to the Hydro Electric Railway Act was passed on June 4th, 1920, empowering the Commission to construct, equip, etc., any section of the railway and to issue the bonds of the Commission for the construction and equipment of such section.

F.W. p.11.

10-11 GeoV Cap.57. Sect.5.

Following the dates on which the resolutions were passed by the municipalities, the Commission proceeded with the acquisition of the necessary rights-of-way. The acquisition of these rights-of-way was, to a large extent, carried out prior to the date of the passage of the amendment to the Act, giving the Commission statutory authority to construct the Toronto-Port Credit Railway as a separate section.

During the summer of 1920, the Government instructed the Commission not to proceed with the construction of this railway, pending the report of the Royal Commission appointed to inquire into Hydro-Electric Railways. The Royal Commission did not report favourably upon the

Ev. 5111 Report re H.E. Rys. p.74

construction of Hydro-Electric Railways and on June 13th, 1922, the Municipal Electric Railway Act was passed, declaring all by-laws passed and agreements made under the provisions of the Hydro Electric Railway Act of 1914 and amendments thereto null and void. However, certain radials, including the Toronto-Port Credit section, were authorized to be constructed if resolutions of the Municipal Councils or by-laws of the electors were passed, authorizing the Municipal Councils to enter into an agreement with the Commission for the construction and operation of the railway on their behalf. The necessary resolutions or by-laws were passed by all of the municipalities interested in this railway, except Toronto. With the defeat of the by-law in Toronto, the municipalities must proceed in accordance with the provisions of the Municipal Electric Railway Act, 1922, should they desire the Commission to construct the railway.

12-13 Geo.V. Cap.69 Sec.29 (2)&(4)

P.W. p.5.

ROUTE OF RAILWAY

The Toronto to Port Credit Railway was projected to run from the City of Toronto westward through the town of Mimico, the townships of Toronto, Etobicoke and New Toronto, and to have connected at the village of Port Credit with the Port Credit-St. Catharines Railway.

CG&D. 1921 p.98.

NOTICE OF POLICY

The Cabinet in Port Louis Palace has approved of the Bill of Rights which the Minister of Justice, Statutes and Law Reform will be laid before the Legislature at the next Council with the Constitution Amendment Bill.

Government House,
Port Louis,
[illegible]

GENERAL ECONOMICS

Debentures Deposited by Municipalities

As required by the agreement and the Hydro Electric Railway Act the municipalities deposited debentures with the Commission aggregating $5,109,573.00, bearing the date of July 2nd, 1920, payable in fifty (50) years, with interest at 5%. The debentures deposited by each municipality, representing its share of the estimated cost of constructing the railway, are as follows:

4 Geo V Cap. 31 Sect. 11(1)

P.W. p.11 & 12.

Township of Toronto	$ 220,542.00
" " Etobicoke	401,355.00
" " New Toronto	82,250.00
Village of Port Credit	54,050.00
Town of Mimico	111,200.00
City of Toronto	4,240,196.00
T o t a l -	$5,109,573.00

Section 11(2) of the Hydro Electric Railway Act stipulates that these debentures are to be held by the Commission as collateral security for bonds issued by it. No bonds, however, have been issued by the Commission in this connection nor has an Order-in-Council been passed by the Province, providing for the guarantee of such bonds as the Commission might issue.

Expenditures by Commission

Late in 1919 and during 1920 and 1921, the Commission made expenditures in connection with acquiring rights-of-way for the railway and in preparing plans, etc., for its construction. Since that time, the interest on moneys used for these purposes has been added to the investment. P.E. p.12

The expenditures are by years as follows:

Year ending October 31st, 1919	$ 55,311.57
Year ending October 31st, 1920	627,976.17
Year ending October 31st, 1921	52,477.96
Year ending October 31st, 1922	36,499.91
To April -	$772,264.61

which are represented by

Engineering and Superintendence	$ 13,438.42
Right-of-way, cost of land	638,219.52
Interest	125,019.26
Miscellaneous	8,326.19
	$787,023.39
Less - Rents received from lands in excess of expenses in connection therewith	14,758.78
	$772,264.61

Of the amount included in the above expenditure representing the cost of rights-of-way purchased, $380,098.00 was expended prior to June 4th, 1920, the date on which the Commission was authorized to construct this railway as a separate section, and $589,853.00 prior to July 2nd, 1920, the date which the debentures of the Commission bear.

Industry in Operation

Even in 1931 and during 1932 and 1933, the Smithville Mills maintained in operation with minimum disturbance the fine traditions. Prices were low, and payment on orders were not always punctual but there was no lay-off.

The expenditures were by items as follows:

Two weaving sheds, 1929	$ [illegible]
Two weaving sheds, 1930	[illegible]
Six weaving sheds, 1931	[illegible]
Two weaving sheds, 1932	[illegible]
	[illegible]

COPY

Which was financed by:

Depreciation and Contingencies	[illegible]
Plant-at-cost, and at Land	[illegible]
Stores	[illegible]
Stock-in-hand	[illegible]
	[illegible]

Loss - Funds passing from Income to charge of expenses in operating statement | [illegible]

[illegible]

Of the amount included in the above expenditure the Smithville Mills had erected Dormitory, [illegible] was accounted for in June, 1932. The case was carried the Smithville was constructed to carry[illegible] with a [illegible] and [illegible] in 1931 [illegible] the data which the experience of the [illegible] mills.

Source of Funds for Railway Expenditures

The expenditures as above in the amount of $772,264.61 have been made out of funds in the hands of the Commission appropriated for, or belonging to, the Power Systems or other undertakings of the Commission, no funds having been obtained for the purposes of this railway.

The $772,264.61, representing the expenditure on this railway to October 31st, 1922, will increase from year to year to the extent of fixed charges thereon, unless, of course, some other provision is made in this connection. Interest charges for the year ending October 31st, 1923, will amount to approximately $47,000.00 which, no doubt, will be offset, to some extent, by the excess of rents collected from right-of-way over expenses in connection therewith. This excess for 1922 amounted to $7,882.94.

PORT CREDIT-ST. CATHARINES RAILWAY

HISTORICAL SKETCH

Under authority of the Hydro Electric Railway Act, the Municipal Councils of fifteen municipalities including Hamilton and St. Catharines, in the years 1914 and 1915, passed resolutions requesting the Commission to report upon the construction and operation of an electric railway from Port Credit to St. Catharines. An Order-in-Council dated August 31st, 1916, was passed, and the Commission, as requested made their investigation, reporting to the representatives of the municipalities September 1st, 1916, on which date a draft agreement was also submitted. By resolution the municipalities requested that the draft agreement be approved by Order-in-Council and this was done under date of September 28th, 1916. By-laws were submitted to the electors of seventeen municipalities at the January and February elections 1917, and thirteen municipalities voted in favour of the scheme, but, as the debentures of these municipalities did not represent ninety per cent. of the debentures required to be deposited, the Commission could not proceed with the construction of the railway. In March, 1919,

P.W. p.15.

P.W. p.16.

the by-laws were again submitted to the electors of those municipalities not having expressed themselves in favour, with the result that fifteen municipalities had voted for the project. The township of Saltfleet voted against, and the township of West Flamboro did not submit the by-law. The estimated cost was $11,360,363.00, and, as the debentures required to be deposited by the municipalities in which by-laws were defeated, did not exceed the ten per cent. of the total debentures mentioned in Section 12 (1) of the Hydro Electric Railway Act, the Municipal Councils of the other municipalities passed resolutions indicating their intention to proceed with the construction, and to deposit additional debentures sufficient to make up the total. The agreement was executed and an Order-in-Council was passed on August 8th, 1919, approving of the agreement and authorizing the Treasurer of Ontario to guarantee the bonds to be issued by the Commission. Confirmation by the legislature of the by-laws and the agreement was enacted April 24th, 1919.

P.W. p.19

P.W. p.19

9Geo.V Cap.45 Sec.3 & 4.

After the agreement covering the construction and operation of this railway had been executed, the Commission proceeded with the construction of the railway, acquiring rights-of-way, purchasing materials and preparing plant until it was instructed by the Government to stop any

Ev. 3111

further construction, purchase, or expenditure, until the Royal Commission appointed to investigate Hydro-Electric Railways should report upon the advisability of the project.

Report re H.E. Rlys. p.74.

The Royal Commission rendered an unfavourable report in respect of Hydro-Electric Railways and on June 13th, 1922, the Municipal Electric Railway Act 1922 was passed, declaring all by-laws passed and agreements made under the provisions of the Hydro Electric Railway Act 1914 and amendments thereto null and void. However, certain radials, including the Port Credit-St. Catharines Railway were authorized to be constructed if resolutions of the Municipal Councils or by-laws of the electors were passed, authorizing the Municipal Councils to enter into an agreement with the Commission for the construction and operation of the railway on their behalf. Certain of the Municipal Councils and electors, however, failed to pass the necessary resolutions or by-laws authorizing the Commission to construct the railway as required by the Municipal Electric Railway Act 1922.

12-13 Geo.V. Cap.69

ROUTE OF RAILWAY

The Port Credit-St. Catharines Railway was to extend westerly from Port Credit, paralleling the Grand

Trunk Railway, through Clarkson, Oakville, Burlington to Hamilton. From Hamilton the line was to extend in a south-easterly direction, through the townships of Barton, Saltfleet, North Grimsby, village of Grimsby, townships of Clinton, North Beamsville, Louth and Grantham, to the City of St. Catharines, where it was to connect with the Niagara-St. Catharines and Toronto Railway.

OG&D. 1921 p.96.

GENERAL ECONOMICS

Debentures deposited by Municipalities

The municipalities deposited $11,360,160.00 of 5% 30-year debentures bearing date of November 1st, 1919, to be held by the Commission as collateral security for bonds to be issued by it. The amount of debentures deposited by each municipality, representing its share of the estimated cost of constructing the railway, was as follows: P.W. p.20

Municipality	Debentures
Township of Louth	$621,935.00
" " Nelson	413,744.00
" " Clinton	522,954.00
" " Trafalgar	594,690.00
" " Grantham	141,604.00
" " North Grimsby	468,126.00
" " North Beamsville	66,815.00
Town of Oakville	224,194.00
" " Burlington	159,549.00
Township of Barton	314,033.00
Township of Flamboro	294,320.00
Village of Grimsby	112,393.00
City of St. Catharines	688,539.00
Township of Toronto	266,536.00
City of Hamilton	6,478,928.00
Total -	$11,360,160.00

Bonds issued by Commission

Under the authority of paragraph 3 of the agreement, covering the construction and operation of the railway, P.W. p.21

Municipality	Debentures
Township of Lucan	$[illegible]
" " Molesworth	[illegible]
" " Clinton	[illegible]
" " Wawanosh	[illegible]
" " Grantham	[illegible]
" " North Grimsby	[illegible]
" " North Dumfries	[illegible]
Town of Dunville	[illegible]
" " Burlington	[illegible]
Township of Barton	[illegible]
Township of Stamford	[illegible]
Village of Erieau	[illegible]
City of St. Catharines	[illegible]
Township of Toronto	[illegible]
City of Hamilton	[illegible]
Total -	$[illegible]

Loans issued for municipalities

Under the authority of paragraph 4 of the agreement, covering the construction and operation of the railway,

the Commission created an issue of $11,360,363.00 of its 5 per cent. bonds, dated November 1st, 1919, and payable in fifty years. These bonds, issued for the purpose of providing funds for the construction of the Railway, were guaranteed by the Province of Ontario.

Of the total of $11,360,363.00 bonds, $1,200,000.00 have been executed by the Commission and pledged as collateral with the Bank of Montreal for a demand loan of $500,000.00. The remaining bonds in the amount of $10,160,363.00 have been signed by the Chairman of the Commission, but remain incomplete as to the Secretary's signature and the Commission's seal.

P.W. p.21

Expenditures by Commission

The expenditures of the Commission on this railway up to October 31st, 1922, amounting to $485,810.09 are by years as follows:

P.W. p.22

Year ending October 31st, 1919	$ 7,111.19
Year ending October 31st, 1920	406,509.66
Year ending October 31st, 1921	63,681.36
Year ending October 31st, 1922	8,507.88
T o t a l -	$485,810.09

which amount is represented by:

the Commission received an issue at $1,380,201.00 at the 8 per cent. Bonds. Bond Expense 1st. 1921. was negligible in first years. This Bond issued for the purpose of paying off the Contractors for the construction of Overpass.

In the year of $21,942,320.12 issue.

$1,201,000.00 data bond expended for the Commission and paying in addition with the bond at Treasurer 1st.— the year 1st of 1921-1922. The remaining bond in 1st. issued of $21,141,320.12 bond issued by the Commission at the Commission's Treasurer Commission on the 1st Commission's year's signature and the Commission's year.

Commission's Expenditure

The expenditure of the Commission in its 1st 1921-year of its issue 1st. 1922. amounting to $860,615.00 was 2.1%
2.1%
as follows in Detail:

Year ending December 31st, 1922	$ 7,711.00
Year ending August 31st, 1922	490,800.00
Year ending January 31st, 1922	82,181.00
Year ending December 31st, 1921	279,923.00
Total	$860,615.00

Bond issued in Delaware by:

Engineering Superintendence	$ 47,666.94
Rights-of-way, cost of land, surveys, etc.	71,299.02
Cost of ties, including creosoting, etc.	281,678.79
Interest	64,529.83
Administration and Miscellaneous Expenses	20,835.51
T o t a l -	$485,810.09

The Chief Engineer of the Commission has estimated a loss of $159,143.35 in disposing of the ties purchased as above. File 116.

Sources of Funds for Expenditures

The foregoing expenditures were made out of funds obtained from the following sources: Prior to October 31st, 1920, the Commission obtained a loan of $100,000.00 from the Bank of Montreal for which $1,200,000.00 of the Commission's five per cent. bonds issued in connection with the Port Credit-St. Catharines Railway were pledged as collateral. The difference of $313,620.85 between the total expenditures up to October 31st, 1920, and the $100,000.00 above mentioned, represented funds of the Power Systems in the possession of the Commission used temporarily for the purpose of the railway. On December 28th, 1920, the Commission obtained a further loan of $400,000.00, and made repayment into the general funds of the Commission of the amounts borrowed from P.W. p.22. P.W. p.23.

the Power Systems for the purpose of the railway. Out of the balance remaining during the fiscal years ending October 31st, 1921, and 1922, expenditures were made aggregating $72,189.26 leaving in the Commission's possession at October 31st, 1922, $14,189.91 to meet future expenditures of the railway. There is, therefore, a loan of $500,000.00 payable to the Bank of Montreal in connection with this project.

The investment in the railway amounting to $485,810.09 will increase from year to year to the extent of fixed charges thereon, unless of course some means of liquidating the investment is reached. The Commission has already disposed of a part of the ties purchased for the construction of the railway.

EXPENDITURES CHARGED TO THE PROVINCE

Expenditures re Investigations, Surveys, and so forth, of Proposed Hydro Electric Radials

As requested by certain municipalities, and under authority of Orders-in-Council dated March 13th, 1914, August 31st, 1916, and April 4th, 1921, the Commission made surveys, studies, etc., in respect of the construction and operation of certain proposed electric railways, and up to October 31st, 1921, expended the following amounts, which were charged to the Province of Ontario, during the year ending October 31st, 1921: P.W. p.2.

Fort William - Port Arthur	$ 514.61	
Owen Sound	.47	
Chatham, Wallaceburg & Lake Erie	5,028.74	
Sarnia	22.02	
Cornwall	101.39	
St. Catharines & Niagara Line (expended in year 1919-1920)	25,620.85	
Port Credit, Guelph, Kitchener, Stratford and London Line	4.25	
Hamilton and London Line (including $17,674.34 expended in year 1919-1920)	19,950.64	
Niagara, St. Catharines and Toronto Railway (including $1,005.27 expended in year 1919-1920)	1,470.88	
Toronto Suburban Railway (expended in year 1919-1920)	5,175.05	
Hamilton, Galt, Elmira & Guelph Railway (expended in year 1919-1920)	35,491.07	CG&D. 1921 Sched. 20, p.7.
Toronto Eastern Line (including $43,946.40 expended in year 1919-1920)	44,909.24	
General Engineering all lines, not applicable to any particular line	13,582.56	
Total -	$151,871.77	

Of the above expenditures $128,912.98 were made up to October 31st, 1920, out of funds held by the Commission and belonging to the Power Systems and other undertakings of the Commission. With the passage of the Municipal Electric Railway Act, 1922, all by-laws passed or agreements made in respect of the above railways have become ineffective. P.W. p.2.

Expenses of Commission in the Preparation of Data and the Submitting of it to the Royal Hydro Radial Commission

From July 6th, 1920, the date that the Royal Commission was appointed, to October 31st, 1921, the Commission incurred the following expenses in connection with furnishing information to the Royal Commission, which were charged to the Province of Ontario, during the year ending October 31st, 1921:

Counsel - On behalf of the municipalities and Hydro-Electric Radial Association	$36,955.00
Experts and Assistants	88,036.45
Transcript of Evidence - On behalf of municipalities and Hydro-Electric Radial Association 50% of cost	5,269.30
Counsel - on behalf of Hydro-Electric Power Commission	26,029.92
Hydro-Electric Power Commission Salaries and expenses of Engineers and Assistants	109,774.43
General Administrative Office Expenses including proportionate share of salaries of executive, accounting and stenographical departments	8,495.20
Miscellaneous - Blue Prints, Photographs, Stationery, etc., etc.,	9,155.66
Transcript of Evidence, 50% of cost	5,269.30
Interest accrued upon same	11,071.32
Carried Forward -	$302,056.48

Carried Forward	$302,056.48	
Other expenses of Hydro-Electric Power Commission of Ontario contracted in respect of inquiry, but may be charged to capital account, providing construction of the following proposed lines is proceeded with		
Toronto & Port Credit Line	3,673.16	C&A.D.
Port Credit & St.Catharines Line	16,879.74	1921
Toronto and Eastern Line	12,514.55	Sched.
		20,p.7
	$335,123.93	

To meet the expenditures outlined above, the Province advanced to the Commission $150,000.00 during the fiscal year ending October 31st, 1921, up to which date the Commission had made expenditures aggregating $486,995.70, of which $151,871.77 was expended for investigations and surveys in respect of proposed radials, and $335,123.93 was expended for compiling and furnishing information to the Royal Commission. P.W. p.3.

The balance of $336,995.70, representing the difference between the total expenditures made by the Commission in the amount of $486,995.70 and the $150,000.00 advanced by the Province therefor, was made out of funds belonging to the Power Systems and other undertakings of the Commission and was charged to the Province during the year ending October 31st, 1921. P.W. p.3.

To provide for the payment of $336,995.70, as above, the Province passed a Treasury Board Minute on October 28th, 1921, pursuant to Section 26 of the Audit Act, stating that the sum of $4,855,304.86 should be placed to the credit of the Provincial Treasurer to meet expenditures of the Commission. This amount included the sum of $359,068.86 to re-imburse the Commission for expenditures on account of the Province, which, at October 31st, 1921, comprised the following:

R.S.O. 1914 Cap.23

Hydro Radial Railways - surveys, investigations, and data furnished the Sutherland Commission	$336,995.70
Power Investigations & surveys, etc.	24,086.20
	$361,081.90

The $361,081.90 has not yet been paid and it would appear that the appropriation has lapsed.

R.S.O. 1914 Cap.23 Sec. 21 (1)

Expenditures by Commission for Propaganda

By the enactment of The Municipal Electric Railway Act, 1922, it became necessary under certain conditions for some of the municipalities interested in the Toronto-Port Credit Railway and the Port Credit-St. Catharines Railway to vote once more on the question of the construction, equipment and operation of these railways in

12-13 Geo.V. Cap.69, Sec.29, S.S. 5.

the municipal elections, January, 1923.

The Commission entered into a campaign in support of the scheme and expenses amounting to about $11,000.00 were incurred by it in this connection. Of this amount about $7,800.00 had been actually paid out at the date of a public hearing on February 22nd, 1923. Ev. 3138

SUMMARY OF EXPENDITURES

The extent to which the Commission expended funds for the purpose of proposed Hydro-Electric Railways (exclusive of amounts used in the recent Hydro-Electric Railway Campaign) is as follows:

Toronto to Port Credit Railway -To October 31st, 1922		$772,264.61	
Port Credit to St. Catharines Railway -To October 31st, 1922		485,810.09	
Sundry Proposed Railways:-			
Toronto and Eastern Railway	$44,909.24		
Hamilton, Galt & Elmira "	35,491.07		
Hamilton and London "	19,950.64		
St. Catharines & N. Falls "	25,620.85		
Toronto Suburban Railway	5,175.05		P.W.
Chatham, Wallaceburg & Lake Erie Railway	5,028.74		p.2.
Niagara, St. Catharines & Toronto Railway	1,470.88		
(To October 31st, 1921)		137,646.47	
Charged to the Province for:			
Assistance to sundry municipalities in connection with electric railways	642.74		CC&D 1921
General Railway Engineering not applicable to any particular line	13,582.56		Sched 20,
(To October 31st, 1921)		14,225.30	p.7.
Expenses in connection with compiling and submitting data to the Sutherland Commission		335,123.93	
		$1,745,070.40	
Less: Amounts charged to the Province		486,995.70	
Balance representing expenditures on the Toronto-Port Credit Railway and the Port Credit and St. Catharines Railway, as above		$1,258,074.70	

APPENDIX II (CONCLUDED)

The extent to which the Commission expended funds for the purpose of payment Euro-Chemical Contract (Multiple of Lancelot and 14 the Prince Euro-Chemical Saline Sodium Sulphate 12 to Triton).

Estate in Port Goodly Railway
-to October 31st, 1922 . . . . .
Part Credit to Mr. Chamberlain to time
-to October 31st, 1922 . . . . .

Money Expended Railway-
Turbine and Pottery E-Line
Building,Pair & Chimes
Utilities and Issues
Electro-Chemical Plant
Electric Equipment
Steam, Machinery &
Land Site Railway
Co-Ordinate, Pottery &
Purchase Taking
(to October 31st, 1921)

Payment to the Provinces Port
Authorities in Nearly Multi-
plication in commercial size
Alcohols railways
General Railway Engineering
not applicable to any
purchaser item
(to October 31st, 1921)

Expenses in connection with Sum-
ming and Mobilization Area to
the Industrial Commission . . . . .

Less: amount charged to the Provinces

Income requirements economically to the
Industrial Nearly Railway and the
Port Credit and Mr. Chamberlain Railway.
on state . . . . . .

SUMMARY

Authority for Expenditures

In considering the authority of the Commission for making the aforementioned expenditures, the Hydro Electric Railway Act, 1914, and Amendments thereto must first be examined. Section 3 of the Act stipulates that the Commission, whenever required by the Lieutenant-Governor-in-Council, may investigate and report upon the cost of constructing and operating proposed electric railways, but there is no provision in the Act for the payment of the necessary expenses incident thereto.

4 Geo V Cap. 21 & Amendments.

Finding no authority under the Act, appropriations by the legislature must be looked for and it appears that on several occasions such appropriations were duly made. It is also found that some of the expenditures were covered by sums paid under Treasury Board Minutes. Funds received from these sources, or from the sale of bonds are, of course, not open to question. Expenditures approximating $1,109,000.00, consisting of $772,264.61 for the Toronto-Port Credit Railway and $336,995.70 for investigations, surveys and so forth on proposed radial railways and expenses in connection with the Royal Commission, however, were not provided for in this manner, but were met out of funds belonging to the Power Systems and other undertakings of the Commission.

The Hon. I. B. Lucas states, in his evidence, that under Section 6(b) of the Power Commission Act, authority is given to make these expenditures on Hydro Electric Railways as the "general fund is there and the money can be paid out of that for any properly authorized work without regard to the special trust fund to which that money belonged", and in his opinion, as it was for an authorized purpose, the using of the funds was perfectly justified. Mr. G. T. Clarkson takes a different view, pointing out that funds held under the Power Commission Act, cannot be used for the purposes of Hydro Electric Railways and in reply to Mr. Lucas states: "There is nothing in the Hydro Radial Act making the expenditures out of these monies of the general account an authorized act." Mr. Kilmer at Mr. Clarkson's request, drafted Section 6(b) to do away with the necessity of establishing innumerable different trust funds by forming one general fund, but it "was never contemplated that monies could be taken out of that fund, other than for strictly authorized purposes", and it was thought by Mr. Kilmer "that the merging of them all in one account did not widen the responsibility or lessen the responsibility of the Commission to apply them as they would have had to apply them before".

Ev. 3106-8

Ev. 3108

Ev. 3119

Ev. 3121

Mr. Clarkson comments on
Unauthorised Expenditures in Audit Report

Up to October 31st, 1919, the Commission had expended $95,584.34 in connection with radial railways.

CG&D. 1919 p.8.

"This represents expenditures of $54,811.06 made on the purchase of right-of-way between Port Credit and Toronto for the purpose of Hydro-Electric Railways, and $40,773.28 disbursed by the Commission in connection with preliminary surveys, engineering and investigations, and for other purposes in connection with summry proposed Hydro-Electric railway lines.

"There was no statutory authority in the Commission to make purchases of such right-of-way, but the Commission states that it received assurances from Sir William Hearst, the late Premier of the Province of Ontario, that if it would obtain resolutions by the municipalities interested, requesting the Government to introduce and pass all amendments to existing legislation that may be necessary to validate the building of an electric railway line between Toronto and Port Credit as a part of the proposed Toronto to St. Catharines Hydro-Electric Railway - so as to make the same legal, valid and binding upon the municipalities - that the Government would, with the presentation to it of such resolutions, support the legislation to that effect. On the basis of these assurances and with resolutions by the municipalities in its possession the Commission felt justified in acquiring such right-of-way, and later making further expenditures thereon out of funds held by it under the terms of the Power Commission Act, in the belief that by so doing it would make a saving in the cost of the proposed Port Credit to Toronto railway line.

CG&D. 1919 p.8.

"The Commission expended $40,773.28 over and above amounts charged to the Province on preliminary surveys, investigations, for engineering expenses and for campaign and other purposes in respect of various electric railway lines, and such amount has for the time being been capitalized in the Commission's accounts. The right of the Commission to make such expenditures is questionable."

In evidence Mr. Clarkson states that:"'Other purposes' includes expenditures made by the Commission in connection with by-laws, holding meetings, printing bonds and different things along that line, educating and fostering Hydro Radials -- I would call it promoting and educating." Ev. 3082.

Assurances from Sir William Hearst
re Toronto-Port Credit Section

With reference to the assurances received from Sir William Hearst referred to in Mr. Clarkson's report of 1919, above quoted, Sir Adam Beck states that "the Government said 'If you will have resolutions passed by the municipalities requesting their desire to have it considered as a separate section, we will accept that and pass the necessary legislation validating it.' Nothing was done and with the change of Government the incoming Government did pass the necessary legislation" - June 4th, 1920. Ev. 3112

The assurances mentioned are contained in correspondence between Sir William Hearst and Sir Adam Beck. While Sir William Hearst may have promised that the action as above noted would be taken by the Government there was nothing Ev. 3098

whatever in the correspondence in any way authorizing the Commission to take money from the general fund of the Commission for railway purposes.

Mr. F. A. Gaby was under the impression that an Order-in-Council was passed, authorising the Commission to proceed with the work and make the necessary expenditures until the proper legislation had been enacted, but Sir William Hearst and Mr. Lucas state they have no recollection of it. Later on Mr. Gaby qualified this by stating that the Order-in-Council "was confirmed probably in detail; the authority was given to the bank, a verbal authority to the Bank, to extend a loan to the Commission up to a million dollars." This was for moneys necessary to carry on the purchase of the rights-of-way between Toronto and Port Credit. After the change of Government, the bank asked for a letter from the provincial Treasurer confirming the arrangement, but the Commission was unable to secure the letter required, and no loan was ever obtained.

Ev. 3106
Ev. 3095 3099
Ev. 3100

Toronto-Port Credit Section

To October 31st, 1920, the Commission had expended on the Toronto-Port Credit Section $663,266.74 in acquiring rights-of-way, preparing engineering plans and so forth; this amount was increased during 1921 and 1922 to $772,264.61 by further payments on account of rights-of-way and interest charges. The Commission purchased the

CG&D. 1920 p.64.

right-of-way to a large extent prior to June 4th, 1920, the date on which it was authorized to construct the Toronto-Port Credit Railway as a separate section, and prior to the date that debentures were deposited by the municipalities. The only authority, therefore, vested in the Commission prior to June 4th, 1920, to acquire such rights-of-way, was the assurances of Sir William Hearst as previously outlined.

To meet these expenditures the Commission used funds in its possession belonging to the Power Systems and other undertakings of the Commission. Mr. Clarkson characterizes the use of these funds for the purposes of this railway as illegal. Ev. 3090.

No bonds have been issued by the Commission to provide moneys for the railway, but the municipalities have deposited $5,109,573.00 of debentures with the Commission as collateral security for any bonds which the Commission might issue. These debentures are still held by the Commission although the agreements under which they were deposited have been declared void by the Municipal Electric Railway Act of 1922. P.W. p.11. 12-13 Geo.V. Cap.69 Sec.29 (2)&(5)

Port Credit-St. Catharines Section

On the Port Credit-St. Catharines Section up to October 31st, 1920, the Commission had made expenditures

amounting to $413,620.85 in acquiring rights-of-way, purchasing ties, preparing engineering plans, and so forth; $100,000.00 of this sum was obtained from the Bank of Montreal by hypothecating $1,200,000.00 of bonds of the Hydro-Electric Power Commission. The balance came from the funds held by the Commission for the purposes and benefits of the Hydro-Electric Power Systems. In December, 1920, a further $400,000.00 was borrowed from the bank and the amount owing the general fund repaid, but Mr. Clarkson states in the meantime he did not consider they had a right to use this money.

CGAD 1920 p.63

Ev. 3086-7

The expenditures to October 31st, 1920, in the amount of $413,620.85 were increased during 1921 and 1922 to $485,810.09 leaving in the Commission's possession at October 31st, 1922, $14,189.91 to meet the future expenditures of the railway.

P.W. p.21-2.

To provide moneys for the construction of this railway, the Commission created an issue of $11,360,363.00 of its 5% bonds dated November 1st, 1919, and payable in fifty years. These bonds were guaranteed by the Province of Ontario under authority of Order-in-Council dated August 8th, 1919. As mentioned above $1,200,000.00 of these bonds are pledged with the Bank of Montreal as security for a loan of $500,000.00 and the remaining $10,160,363.00 have been signed by the Chairman of the Commission but not by the Secretary, nor has the Commission's

seal been affixed thereto. These bonds, we understand, are on deposit in the Commission's safety vaults in the Toronto General Trusts Corporation.

As collateral security for the bonds issued by the Commission, the municipalities deposited their debentures aggregating $11,360,160.00. As in the case of Toronto-Port Credit Section, these debentures are still held by the Commission although the agreements under which they were deposited have been declared ineffective by the Municipal Electric Railway Act of 1922. 12-13 Geo.V Cap.69. Sec.29 (2)&(5)

Re Expenditures Charged to Province

During the year ending October 31st, 1921, the Commission charged the Province with expenditures aggregating $486,995.70 consisting of $151,871.77 for investigations, surveys and so forth, in respect of proposed radial railways, and $335,123.93 in connection with compiling and submitting data to the Royal Commission. These expenditures were made out of funds of the Power Systems and other undertakings of the Commission, except to the extent of $150,000.00 which amount was advanced therefor by the Province during the year ending October 31st, 1921. The balance of $336,995.70 representing the difference between the $486,995.70 and the $150,000.00 was charged to the Province during the year ending October 31st, 1921. This

amount has not been paid by the Province, and the Power Commission funds, therefore, remain depleted to that extent.

Of the $151,871.77 as above, $128,912.98 was expended prior to October 31st, 1920, out of funds held by the Commission for the benefit of the Power Systems. Up to this date, the Commission had not requested the Province to reimburse it for these expenditures and offered the following explanation for not doing so:- The officers of the Commission stated that, instead of asking for an appropriation by the Legislature out of which to make such expenditures at the cost of the Province, the moneys mentioned were disbursed out of funds in the hands of the Commission and capitalized upon its books, in the expectation that the construction of the railways would be proceeded with; that with the sale of securities for such purpose, the moneys would have been repayable to the Commission as part of the cost of constructing such railways. Ev. 3068

The Government passed a Treasury Board Minute on October 28th, 1921, authorizing the payment of the $336,000.00 to the Commission but payment was not made due, Mr. Gaby says, to the fact that the Government requested the Commission not to insist upon payment until after the end of the fiscal year. A formal requisition for the payment of this sum was made by the Commission on November 2nd, 1921. P.W. p.8. Ev. 3114

Sir Adam Beck states that, on September 15th, 1922, the Commission made a further request to the Government for this money, but the Government took no action in the matter. The Treasury Board Minute has now lapsed and the Provincial Treasurer has no authority to pay this sum over to the Commission. Ev. 3115

Mr. Clarkson states that the Commission is authorized to expend moneys for investigating, making surveys and so forth, in respect of proposed radial railways, to the extent that it has funds therefor in its possession, but it has no authority to use funds belonging to the Power Systems and other undertakings of the Commission for making such investigations, or for furnishing information to Commissions appointed to inquire into Hydro Electric Radial Railways. He, therefore, considers the expenditure of $336,000.00 representing the expenditures of the Commission in excess of the appropriations of the Province as illegal and without authority. Ev. 3092

Hydro Electric Railway Act Inadequate

Mr. Clarkson makes the statement that in his opinion the Hydro Radial Act is deficient. Referring to the Act he says that it gives the Commission power to make the investigation, "then the next step in that Act is, it allows them to issue bonds, to sell bonds, after the municipalities have deposited their bonds with them; but while it Ev. 3085

Sir John Dean stated that, on September 11th, 1952, the Commission made a further request to the Government for this money, but the Government took no action in the matter. The Government since then has been informed and the Provincial Treasurer has no responsibility to pay this now over to the Commission.

Mr. Sturdee states that the Commission is authorized by annual money for investigating, making surveys and so forth, in regards to proposed social projects in the district that is the Crown Counsel in the prosecution, but it has no authority to use funds belonging to the Power Commission without authority of the Minister for making such investigations, or for furnishing information to Commissions appointed to inquire into Crown Electric Social Projects. Mr. Sturdee, considers the expenditure of $22,000.00 representing the expenditure of the Commission in excess of the expropriation of the Peace River at Hudson's Hope was without authority.

Power Electric Failure and Breakdowns

Mr. Sturdee makes the statement that in his opinion the Kitsap Public Utc is inferior. Referring to the job he says that it gives the Commission power to make the investigation, "that the most stop is don't job in, it allows them to take place, to call tender, after the municipalities have expressed their views with least for which it

may have been contemplated that after the Government had authorized the execution of the contract, they could expend monies up to the time they issued their bonds, there was no provision put in the Act permitting them to make expenditures."

Expenditures incurred before Bonds are issued

Mr. Clarkson states that before the municipalities handed over their bonds to the Commission, certain expenditures were incurred. "In connection with that hiatus I mentioned where they could investigate up to a certain point - this is merely my interpretation - but as I read the Act they have the right to investigate and expend money out of the Government appropriation for that purpose; then I think their authority stops for the time being. The next time they are allowed to spend money is after the bonds of the municipalities have been deposited with the Commission, and the Commission's own bonds have been sold and the funds come into their hands, then they are allowed to go ahead and spend out of that, but there may be a question about the hiatus in the meantime, as to whether they would have the right to recover from the municipalities. I am inclined to think they would have, to a very considerable extent, the right to recover, but not the right to spend Power Commission funds." Ev. 3092

Although the amount taken from the general fund of the Commission for the purposes of the Port Credit-St. Catharines Railway was all paid back out of borrowings on the bonds as previously noted, there was still owing on account Ev. 3089

may have been communicated even after the determination had authorized the conversion of the machinery, that would depend upon if in fact there had been such delay. There was no prejudice yet in the use patriotic time to take negotiations."

Municipalities Imported Nazis Jewish Not Issued

Mr. Gibbons stated that before the municipalities [illegible] enter their bonds in the Treasuries, certain requisitions were issued. "In connection with that matter I mentioned where they could investigate if in a certain place - this is merely my interpretation - but as I read the act that does the right to investigate and request money out of the Treasury some appropriation. Mr. Chairman, I think that authority stops for the time being. The most time they are allowed to spend money is where the owners of the municipalities have been impressed with the Commissioner's and bonds have been sold and the funds come into their hands, then they are allowed to go ahead and spend out of that, but there may be a question about the status in the municipalities, as to what they would have the right to receive from the municipalities. I am inclined to think they could have, in a very reasonable manner, the right to receive, but not the right to spend their Immigration funds."

Although the amount taken from the General Fund [illegible] of the Commission for the purpose of the 1928 Immigration Estimate was all paid back and at Commission on the [illegible] basis, there was still being an amount [illegible]

of the Toronto-Port Credit Railway as of October 31st, 1922, the sum of $772,264.61. In addition to this there is the sum of $336,995.70 of moneys taken out of the Power System funds and used for radials and the Royal Commission. That means these funds are still entrenched upon to the extent of $1,109,259.61 and, in Mr. Clarkson's opinion, the expenditures so made are illegal. Ev. 3090.

Mr. Clarkson states that there may be three sources from which the Commission could recover the above mentioned amount: "First, realization on the rights-of-way and materials. Second, funds that the legislature may appropriate to take care of any deficiency and if it does not do that, then the question arises as to whether these municipalities on these lines are responsible for these expenditures."

Mr. Pierdon, Accountant of the Commission, states that he cannot show any authority for the payment of moneys out of the Power Commission funds for radial railway purposes "unless there is something in the general fund section of the Power Commission Act which would allow us to use it." Mr. Pierdon does not know of any way funds may be realized to make the repayment further than the methods outlined by Mr. Clarkson. Ev. 3094

Sir William Hearst states that it must have been assumed that the Government had the right to purchase the rights-of-way, but does not know how it was intended Ev. 3104

of the Corporation-into family holdings as of October 31st, 1956, the sum of $[illegible]. In addition to this there is also owed of $[illegible] of money taken out of the Green Cross Fund and used for realize and the Royal Bermudian also. The Royal Bermudian are still unaccounted for in the amount of $[illegible], in Mr. Fullerton's opinion, the recommendation is much too lenient.

Mr. Chairman, when such cases may be shown months from which the Commission should recover the stolen monies, then, realizing on the right-of-way and material [illegible] which the legislature may appropriate in June then at any rate [illegible] and it is hard to do that, this Committee ought to consider these municipalities in which the [illegible] are responsible for these municipalities.

Mr. Fleming, Chairman of the Committee, stated that in cases where only negligence on the part of members and of the Town Commission means the money paid out Chairman "Unless there is something in the contract that would at the Town Commission and which would allow me to do it," Mr. Fleming then one hour of the time may be required to make the repayment instead that the matter rightness by Mr. Fleming.

Mr. William Smith further that it was then made clear the Government has the right to prosecute the right-of-way, but have not done the is not interest

that the necessary funds were to be realized. This is based on the fact that the Government during the War passed legislation forbidding the Commission to "go ahead with capital expenditure on the purchase of right-of way".

However, attention is here directed to the fact that authority to construct the Toronto-Port Credit Railway as a separate section and as a part of the Toronto-St. Catharines Railway, was not granted by Statute until June 4th, 1920, and the agreement in respect of the Port Credit-St. Catharines Railway was not made until 1919.

Mr. Clarkson has always regarded it as a serious matter that the funds of the Power Commission held for the municipalities in connection with power systems should have been depleted to the extent they were "without any absolute assurance that they would get it back". Ev. 3093

In the opinion of Sir Adam Beck they are perfectly secured by the bonds deposited by the municipalities. "It was not figured out as to the responsibility or liability of these municipalities, but the Government, before the monies could be raised by the sale of bonds, stopped any further construction or purchase or expenditure, until the Sutherland Commission would report upon it. We thought we were justified; I do not know what legal advice we had, other than the opinions we had at hand that we were at perfect liberty to use these funds." Ev. 3110 Later on Sir Adam Beck says: "There is no question about the liability of the municipalities that I can see. Ev. 3111 Of course there is some very valuable property

purchases, and it is a question in my mind whether we cannot get more for the property than we paid for it - certain properties will bring more." Ev. 3115

Expenditures made by Commission in recent Hydro Radial Campaign

In the latter part of 1922 the Commission carried on a campaign to promote the passage of certain by-laws in Toronto, Hamilton, St. Catharines and other municipalities interested in the Toronto-St. Catharines Railway. Mr. Pierdon estimates that the expenditures, in this connection, will run close to $11,000.00, expenditures approximating $7,800.00 having already been paid and there are bills to the extent of $3,500.00 or $3,600.00 still outstanding. Ev. 3138

Mr. Gaby, in his evidence at the hearing, claims that in October, 1922, a statement was prepared by the Commission and forwarded to the Government asking for a special warrant to carry on this campaign, and that the matter was discussed with the Premier by Sir Adam Beck on several occasions and was taken up at Commission meetings. "I was present in the room either on the 30th or 31st of October and Sir Adam Beck was talking to the Parliament Buildings. After his conversation he informed me that the Order-in-Council, whatever was necessary, was approved of for the monies we were to spend." Ev. 3136

Mr. Gaby continues that the next time the matter was brought to his attention "was at a Commission Ev. 3137

meeting at which Col. Carmichael was present, representing the Government, at which a letter was presented, that was the 11th of December, nearly six weeks later, in which we were advised that the Order-in-Council had not gone through and the matter was discussed at the Commission meeting."

Sir Adam Beck, in outlining the situation, states that an estimate, covering certain expenditures on account of the submission of the by-laws in various municipalities to include salaries of employees engaged, in submitting the by-laws, travelling expenses of employees and speakers and publicity expenses, was submitted because of a request contained in a letter from the Prime Minister, dated October 17th, 1922. Ev. 3478 3481

In response to this request, Sir Adam Beck, on October 24th, 1922, wrote Premier Drury giving an estimate of $9,500.00 as the anticipated expenditure in connection with the work, and asked that a special warrant be issued so the work might be continued after the first of November, 1922.

Towards the end of October, Sir Adam Beck states that he telephoned the Prime Minister's Deputy, Mr. Horace Wallis, and was told that the warrant had been passed and would be issued. Mr. Gaby was with Sir Adam Beck at the time he telephoned. Sir Adam Beck further states that Col. Carmichael, subsequent to this conversation, informed him "that it was all right". Acting on the strength Ev. 3483 Ev. 3483

of this information, engineers of the Commission were sent out to conduct the campaign. "About the middle of December it was brought to my attention that formal authority had not been received. I then took it up with Col. Carmichael, and he said he would see about it, and he did write me towards the end of December, eight or ten days before the election, that the Government thought it should be a charge on the municipalities and not on the Province." Ev. 3486

It appears that some of the accounts were paid even after notice had been received that no Order-in-Council had been passed, nor had any warrant been issued from the Government. Sir Adam Beck admits that he gave instructions to Mr. Pierdon to pay these accounts and that nobody else need be blamed for it. Ev. 3493

Mr. Wallis, Deputy to the Prime Minister, when asked at the hearing if he had told Sir Adam Beck that an Order-in-Council had been passed or a warrant issued authorising the use of this money, replied, "I could not have made such a statement because it wasn't true to my knowledge."

Hon. E. C. Drury, relates that Sir Adam Beck, about the first of October, 1922, spoke to him about the need of certain expenditures in connection with the submission of Hydro Radial by-laws. "I told him, at the time, that I could see no objection to proper and necessary expenditures, but that the Government would very strenuously object to Ev. 3499 3505

of this interesting, activity of the Commission were
most apt to produce the unusual. "Since the middle of
December it was brought to my attention that certain
authority had not been exercised. I take upon it my self
that, therefore, the date be would not apply to, and be
all write on receipt the end of December, right on the date
before the election, that the government thought it would
be a charge on the municipalities and not on the province."

It appears that some of the expenditure were paid
even after ballots had been received that on cash-in-pocket
had been passed, [illegible] have issued from the
government. Mr. Ross then admits that he gave instructions
to Mr. Flavelle to pay these accounts and that notwithstanding
need in blamed for it.

Mr. Phillips, Speaker to the Prime Minister, then
asked if the Speaker if he was sure Mr. Ross then [illegible] on
cash-in-pocket had been passed as a reward issued without-
ing the use of this money, replied, "I would not say it was made
with a dishonest purpose in mind; it was in my judgment."

Hon. Mr. E. Drury, stated that "in the last [illegible]
about the first of October, 1922, spoke to him about the need of
a certain expenditure in connection with the municipalities
of Grove Lodge Ky-Lake." "I told him, as the time, that I
could see no objection to proper and necessary expenditures,
but that the Government could not necessarily object to

anything in the nature of propaganda being carried on with the Hydro-Electric Power Commission's funds, and I asked him, at that time, to write me a letter setting forth, in detail, the monies that he wanted, and what they were required for." Following this the letter of October 4th, previously referred to, was written by Sir Adam Beck, and this was answered by Premier Drury on October 17th, suggesting that the Government might meet the expenses of disseminating information regarding the radial question by special warrant. On October 24th, Sir Adam Beck replied, estimating the approximate amount necessary at $9,500.00. On the recommendation of the Minister without portfolio, an Order-in-Council was prepared and brought for consideration by Council on November 13th, 1922. "The Council decided to refuse the accountable Warrant, asked for by the Minister without portfolio, on the ground that detail of information was not available, as to how the money was to be spent."

"My opinion is strongly that the Commission, like any other Government body, should not spend public monies to influence public opinion. I have taken that stand consistently. I think it would be as justifiable for the Government of the day to take funds out of the Treasury to carry on a campaign in favour of a subject that might be submitted to the people by plebiscite, on one side or the other, as it is for the Hydro-Electric Power Commission to take public funds to carry on a campaign in favour of any proposed project that may be put

before the people. If you get into that, there is no telling where you may end, but if there are proper expenditures, I am willing to meet them."

About the end of the fiscal year, Premier Drury, in a conversation with Sir Adam Beck on this subject, made the statement that the Government would be prepared to supply the money, but wanted to know what it was to be spent for, and would not provide it for propaganda purposes. He states that any moneys paid to men in organization work, such as a salary to Mr. Hannigan, managing the campaign, would be directly contrary to the tenor of the conversation he had with Sir Adam Beck in respect of the campaign at this time, and never at any time did he say anything which would suggest that the Government would sanction such expenditure.

With reference to the Special Warrant for the sum of $9,500.00, Col. Carmichael says this matter was taken up by the Council on November 13th and was not approved. It was brought up again and once more refused. On December 9th, Col. Carmichael wrote the Secretary of the Commission, informing him that the Order-in-Council covering this expenditure had not been approved, "the Government taking the view that the municipalities themselves should bear all the expense in connection with submitting these by-laws." Ev. 3506

Col. Carmichael goes on to say that the Commission did not authorize any expenditures for the purposes which the Government had refused to authorize the expenditure of money, Ev. 3509

and that the accounts for work done in the campaign for various purposes were not paid with the authority of the Commission. Had the matter come up in the Commission, he would not have supported the payment of the accounts, as there is no fund out of which the Commission could properly pay them. Col. Carmichael takes the view that "where there are no funds available and there is doubt as to the legality of the payment, it should certainly be brought before the Commission". He further states that he know the Government was not prepared to finance propaganda. Ev. 3512

The Chief Accountant, Mr. Pierdon, states that he issued cheques in the amount of about $7,800.00, in connection with the expenses of the campaign, on the information received from the Chief Engineer and the Chairman that the Premier of the Province had authorized the expenditure of approximately $10,000.00 or $11,000.00.

Mr. Thomas J. Hannigan in evidence states that he waited on Municipal Councils in connection with the campaign and discussed the proposition with them. Ev. 3455 He had general charge of the campaign, which began, roughly speaking, "about the middle of November, or perhaps the campaign really began the first of December, because we did not know up until that time which municipalities were going to vote, and it was not until then that the Committees were arranged in the different places." Ev. 3467 Mr. Hannigan's remuneration for this work was $30.00 a day and expenses. He states that the Commission paid the expenses of his three committee rooms Ev. 3515

in Hamilton and also the one in Beamsville, and another in St. Catharines. James Pringle in St. Catharines, Fred E. Fairbrother in Beamsville, were paid salaries of $4.00 or $5.00 a day, and expenses. Newspaper advertising, printing and the distribution of circulars were paid for by Mr. Hannigan with funds supplied by the Commission. There were canvassers and scrutineers employed in the campaign, but the Commission did not pay them. Ev. 3468 Ev. 3470-2 3475 Ev. 3469

Mr. Hannigan states that he did not receive financial help from other sources than the Commission, but that there "may have been expenses looked after indirectly, but they didn't come through me". When asked where the money came from to pay the canvassers he states: "They must have got it from some private source. I heard that in Hamilton . . . . . T. J. Stewart told me. He said 'There is a lot of money going, I understand'." Later on Mr. Hannigan says, "I heard men were being paid . . . I heard a lot of talk about money going on both sides, a lot of it . . . . I don't know where it came from." Ev. 3470 Ev. 3472 Ev. 3473 3474

Contributions to Associations

Up to October 31st, 1921, the Commission advanced the following amounts to the Ontario Municipal Electric Association and the Ontario Hydro Radial Association, in

in Brazilian and also the one in Jacksonville, and another in the mainstream. Some Pringle in T. Copperfield. Dad D. Montgomery in Jacksonville, now pays salaries of $4,000 to $5,000 a day, and expands. Government intervention, pricing and the distribution of airplanes were paid for by the Dominion with Jones principle by the Dominion. There were arrangements and representations implied in the complaint, but the Dominion did not pay them.

Mr. Brazilian states this in his own words financial help from other sources than the Dominion, in that there "may have been arrangements looking prior indirectly, but very clearly [illegible]". The judge where the money came from to pay the salaries he answer "that must have gone to the same private source. I have last in Brazilian . . . . Mr. C. Howard said so. He said "There is a lot of money going. I understand." Later on Mr. Brazilian says, "I heard was very large sum . . . I heard I did my fair share money going in with mine. I did do it . . . I don't know where it came from."

Contributions to Conservatives

By an October 31st, 1921, the Dominion advances the Conservatives appears in the minute Dominion's Liberals association was the Conservative Party Dodge "resolution, in

respect of salary and expenses of their Secretary:

From February 1917 to October 31st, 1918	$9,493.30
Year ending October 31st, 1919	4,466.63
Year ending October 31st, 1920	4,008.64
Year ending October 31st, 1921	3,885.07
	$21,853.64
Less - Amount included in advance for 1918, which the Commission believes recoverable	1,000.00
Total -	$20,853.64

Of the $20,853.64, $14,342.95 has been charged as a part of the administrative expenses of the Commission; the balance of $6,510.69 was charged to Hydro Radial construction but during the year ending October 31st, 1921, a substantial proportion of this amount was charged to the Province of Ontario.

Mr. Clarkson has commented upon these advances and the following extract is taken from his 1920 Audit Report:

"During the fiscal year ending October 31st, 1920, the Commission paid $4,008.64 to the Ontario Municipal Electric Commission and the Ontario Hydro Radial Association, in respect of the salary and expenses of their Secretary, Mr. T. J. Hannigan, of which $727.50 was charged to the administration expenses of the Commission and included in the cost of power to the municipalities on the various systems, while $3,281.14 was charged to Hydro Radial Railway construction and stood included in the amount disbursed in connection therewith and capitalized in the accounts of the Commission as of date October 31st, 1920. The authority of the Commission tomake the disbursements of $727.50 charged to the administrative expenses of the Commission is open to question. The expenditures of $3,281.14 charged to Hydro Radial

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construction out of funds held by it for the benefit of Power Systems was beyond its powers.

"During the fiscal year ending October 31st, 1920, the Commission expended sums aggregating $4,085.47 in connection with the printing and distribution of certain reports in respect to Hydro Electric Radial Railways. Payment of such sums was made out of funds held by the Commission for the benefit of Hydro Electric Power Systems and the use by the Commission of such funds for such purposes was in excess of the powers of the Commission."

The following is a brief resume of the sustanding features in connection with the Commission's expenditures in respect of Hydro Electric Railways.

Toronto-Port Credit Section

1. The Commission had made expenditures on this railway to October 31st, 1922, aggregating $772,264.61, out of funds belonging to the power systems and other undertakings of the Commission. Mr. Clarkson considers the use of these funds illegal and without authority.

2. The Commission acquired the necessary rights-of-way to a large extent prior to the date that it was authorized by statute to construct this section of the railway.

3. The Commission are holding $5,109,573.00 of debentures of the municipalities under an agreement and an Act, both of which have been declared to be void and of no further force and effect by the Municipal Electric Railway Act, 1922, Section 29(2).

<u>DISCHARGED TRADE DEBTS</u>

1. The Commission has made representations on this policy to Cabinet dist. 1951, approximately $771,144,01 out of funds belonging to the power systems and other undertakings of the Commission. Dr. Gilmour maintains the use of these funds illegal and without authority.

2. The Commission adopted the necessary policy-change to a large amount prior to the date that it was authorised by statute to authorise this position of the policy.

3. The Commission are holding $2,207,000.00 of domestic of the municipalities under co-operation and as act, both of which have been believed to be void and of further force and effect by the Municipal Elections Taking Act, 1952, Section 2(7).

4. The investment will increase from year to year to the extent of fixed charged thereon and the Commission has no funds to meet these charges.

Port Credit-St.Catharines Railway

1. The Commission employed, temporarily, funds to the extent of approximately $313,000.00 belonging to the Power Systems and other undertakings of the Commission for meeting expenditures on this railway. Mr. Clarkson is of the opinion that the Commission was without authority to use these funds for this purpose.

2. The investment in this section of the railway amounting to $483,810.09 will increase from year to year, to the extent of the fixed charges thereon, unless, of course, some means of liquidating the investment is reached. To meet these expenses the Commission had only $14,189.91 in its possession at October 31st, 1922.

3. The Commission is holding $11,360,160.00 debentures of the municipalities under an agreement and an Act, both of which hade been declared to be void and of no further force and effect by the Municipal Electric Railway Act, 1922, Section 29(2).

4. The Commission has created an issue of $11,360,363.00 of its five per cent. bonds for the purpose of this railway. These bonds were guaranteed

8. The investment will increase from year to year as the extent of final charge increases and the Commission has to look to more cases involved.

Post Qualification Delays

9. The Commission adopted, temporarily, there is the extent of [illegible] assigning to the [illegible] and other [illegible] of the Commission to [illegible] in this [illegible]. Mr. Clarkson is of the opinion that the Commission was [illegible] to use these [illegible] the [illegible] parties.

10. The [illegible] of the [illegible] amounting to $[illegible] will increase from year to year, as the extent of the final [illegible] increases, [illegible] number of [illegible] the investment is required. To date there [illegible] the Commission has only $[illegible] in its [illegible] as [illegible] 31st, 1922.

11. The [illegible] is [illegible] $[illegible] [illegible] of the [illegible] [illegible] as [illegible], [illegible] of [illegible] have been [illegible] to be [illegible] and of [illegible] [illegible] [illegible] by the [illegible] [illegible] [illegible], 1926, [illegible].

12. The Commission has [illegible] as [illegible] of $[illegible] of its [illegible] per [illegible]. [illegible] the [illegible] purposes of this [illegible]. These [illegible] were [illegible]

by the Province of Ontario and $1,200,000.00 are pledged with the Bank of Montreal for a loan of $500,000.00 from which the aforementioned expenditures have been made, and it must be appreciated that eventually this loan must be paid.

Expenditures charged to the Province

1. During the period ending October 31st, 1921, the Commission charged the Province with $336,995.70 representing excess of expenses made in connection with investigations, surveys, etc., of proposed Hydro-Radials, and information furnished the Royal Commission over amounts advanced therefor by the Province. The funds to meet these expenditures were taken from moneys belonging to Power Systems and other undertakings of the Commission, and Mr. Clarkson is of the opinion that the use of these funds for this purpose is illegal.

2. The Government passed a Treasury Board Minute on October 28th, 1921, authorising payment of the $336,000.00 to the Commission, but payment was never made. The Treasury Board Minute has now lapsed and the Provincial Treasurer has no authority to reimburse the Commission for this sum, unless another appropriation or Treasury Board Minute be passed.

Expenditures for Propaganda

In the recent Hydro-Radial campaign, the Commission incurred expenditures of approximately $11,000.00 which were met out of the general fund. The Commission was without authority to make these expenditures and the use of moneys, taken from the general fund for these purposes, is considered by Mr. Clarkson as illegal.

1. H had no right to
use Agent Pauch Fund. for H. Radical purposes